

# Chapter 31

## Innovation 2.0: Business Networks in the Global Innovation Ecology

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### ABSTRACT

*In this chapter we analyze business networks as a part of a multi-domain innovation ecology, which includes global production and innovation ecosystems, institutional network facilitators, and local communities and users. Their interplay is a reflection of the reconfiguration of inter-sectoral relations, in which business, government, and citizens may produce collaborative synergies and, thus, contribute to growth, competitiveness, and social development. Web 2.0 is not a panacea, nor does it bring benefits automatically. On the contrary, companies need to be sensitive to the network logic and partners' orientations in order to maximize the innovation potential of global innovation networks facilitated by social network sites and other Web 2.0 tools and services.*

### INTRODUCTION

The World Wide Web (WWW) emerged in the 1990s as a global publication and exchange network. In the 2000s new forms of social networking and content sharing started to change the logic of the use of this global network. These new forms became known as Web 2.0, which frames the discussion of global business networking in this chapter.

Web 2.0 refers to the second generation of Web-based communities, networks and hosted services, which facilitate various kinds of interaction among their users. In business life the emergence of such a trend is referred to as Enterprise 2.0 or occasionally as Business 2.0. New technologies and organizational models have made it possible to form virtual teams and virtual organizations, in which Web 2.0 tools are used to facilitate communication and interaction within teams or separately operating units of a virtual organization. In this chapter we open a wider view of the application of Web 2.0 technologies and services,

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which goes beyond workplace and teamwork perspectives. We focus on the use of Web 2.0 tools in global business networking, content sharing and communication. Paradigmatic forms of this trend are professional and business-oriented social networking services, such as LinkedIn and Ryze.com. Such special-interest networks are supposed to do more or less the same in the professional and business world that Facebook, MySpace, Friendster, Tagged, Netlog and similar social networking services do in the world of friendships and dating (Jones, 2009). These networks are thus expected to generate values and profits from openness and sharing, which indicates a change in the business paradigm.

Besides generic professional networking, Web 2.0 tools may facilitate other business functions, from marketing to finance and innovation. Our interest is in the latter one. The idea is to analyze business networks as a part of multi-layer or multi-domain innovation ecology, which includes global production and innovation ecosystems, institutional network facilitators and local communities and users. Their interplay is a key to the future model of *open global innovation*, as exemplified by the cases of the development of Linux and the user-driven innovation of Lego. Such an interplay is a reflection of the reconfiguration of inter-sectoral relations, in which business, government, and citizens may produce collaborative synergies and, thus, contribute to growth, competitiveness and social development.

## TOWARDS ENTERPRISE 2.0

In the 2000s new forms of online communities, social networking and content sharing started to change the logic of the use of the Internet. These new forms became known as Web 2.0, a concept launched by consultants aspiring to map out the new trends revolving then around the Internet and WWW in particular. The term appeared for the

first time at the Web 2.0 conference held in San Francisco in 2004. (O'Reilly, 2005.)

Web 2.0 does not refer to technology as such but rather to the way software developers and end-users use the Web. Cook (2008) has identified the following four functions of social software (4Cs):

1. Communication (platforms): blogs, instant messaging, etc.
2. Cooperation (sharing software): content sharing and social bookmarking
3. Collaboration (collaboration tools): wikis and human-based computation
4. Connection (networking technologies): social networking, tagging, RSS and mashups

Another way of showing what Web 2.0 and its 'social' dimension or social media is about is to pay attention to its applications, which are illustrated in Figure 1.

The most visible and appealing aspect of Web 2.0 is social networking, which is about the building and functioning of online social networks for people who share an interest in creating connections and sharing content. These networks are facilitated by hosted services known as social network services (SNS), which are *Internet- or mobile-device-based social spaces designed to facilitate communication, collaboration and content sharing across networks of contacts* (digiZen.org, 2008). Most SNSs are Web-based services provided by Web, media and software companies. They provide various ways for users to create their profile pages, to interact with each other and to share content, such as blogs, photos, videos, and music. They allow relationship initiation and enable individuals to articulate and make visible their social networks. (Boyd & Ellison, 2007.)

In business life this concept has most commonly appeared in the form of *Enterprise 2.0*, a term coined by Professor Andrew McAfee in spring 2006, which is used to describe the utilization of Web 2.0-style collaborative software

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